

## Message Text

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PAGE 01 STATE 167603  
ORIGIN SS-15

INFO OCT-01 ISO-00 SSO-00 /016 R

66011

DRAFTED BY:S/S-O:JGUNDERSEN

APPROVED BY:S/S-O:AOTTOA

DESIRED DIST: STR FOR STRAUSS

-----108562 190253Z /66

P 190022Z JUL 77

FM SECSTATE WASHDC

TO AMEMBASSY BONN PRIORITY

USMISSION GENEVA PRIORITY

C O N F I D E N T I A L STATE 167603

EXDIS USMTN BONN FOR AMBASSADOR WOLFF

FOLLOWING REPEAT BRUSSELS 8254 ACTION SECSTATE INFO ALL EC  
CAPITALS USMISSION GENEVA DATED JUL 18:

QTE: C O N F I D E N T I A L BRUSSELS 08254

EXDIS

USEEC

DEPT PASS STR FOR AMBASSADOR STRAUSS, GENEVA FOR MTN,  
AND BONN PASS ALSO FOR AMBASSADOR WOLFF

E.O. 11652: GDS

TAGS: ETRD, EEC

SUBJECT: DENMAN ON TIDEWATER MTN TALKS

1. SIR ROY DENMAN, COMMISSION DIRECTOR GENERAL FOR EX-  
TERNAL RELATIONS, LUNCED WITH ME ALONE JULY 18. HE GAVE  
ME HIS ACCOUNT OF SENIOR STAFF DISCUSSIONS JULY 15-16 AT  
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TIDEWATER INN. RECIPIENTS ARE CAUTIONED THAT THIS IS  
DENMAN'S ACCOUNT SENT FOR BACKGROUND INFO ONLY; IT SHOULD  
NOT BE ATTRIBUTED. COMMISSION WILL PROVIDE ITS VERSION  
DIRECTLY TO MEMBER STATES AND US VIEW OF WHAT HAPPENED  
WILL COME BY CABLE FROM WASHINGTON AND FROM AMBASSADOR  
WOLFF WHO WILL BE TALKING WITH SOME OF MEMBER STATES.

2. DENMAN SAID SPIRIT OF MEETINGS COULDN'T HAVE BEEN BETTER. BOTH SIDES PUT FORWARD THEIR POSITIONS, EXPLAINED REASONS FOR THEIR POSITIONS, AND THEN EXAMINED TOGETHER WHAT BOTH COULD DO TO MOVE MTN TO SUCCESSFUL CONCLUSION.

3. DENMAN SAID AGREEMENT ON HAVING EVERYTHING ON TABLE BY JANUARY 15, 1978, WAS REAFFIRMED. IN ADDITION IT WAS AGREED THAT BY NOVEMBER 1 AGRICULTURE WOULD BE ON TABLE. OTHER INTERIM TARGET DATES CONTEMPLATED BY ORIGINAL STRAUSS PROPOSAL HAD BEEN ABANDONED AND HE HOPED IDEA OF FOUR SUB-PHASE TIMETABLE WAS DEAD. HOWEVER, IT HAD BEEN AGREED THAT ALL MTN SUBGROUPS SHOULD HOLD INTENSIVE "VIRTUALLY NON-STOP" MEETINGS IN SEPTEMBER IN GENEVA. HE SUGGESTED THAT WOLFF BRING US TEAM TO EUROPE FOR REPLAY OF TIDEWATER MEETING SOMETIME IN OCTOBER TO TAKE STOCK OF PROGRESS MADE AND REMAINING PROBLEMS TO BE RESOLVED.

4. DENMAN SAID PROCEDURAL ARGUMENTS OVER AGRICULTURE WERE BEHIND US AND HE HOPED THAT ON BASIS US-COMMISSION AGREEMENT DESIRED RESULTS WOULD BE ACHIEVED IN GROUP AGRICULTURE THIS WEEK. ON SUBSTANCE OF AGRICULTURE, HE SAID GUNDELACH'S WILLINGNESS TO NEGOTIATE LIMITS ON EC RESTITUTION PAYMENTS HAD BEEN CRUCIAL COMMISSION CONTRIBUTION TO BREAKTHROUGH. HE ADDED HE THOUGHT GUNDELACH WAS OUT IN FRONT OF HIS TROOPS AND THERE MIGHT BE SUBSEQUENT PROBLEMS. CONFIDENTIAL

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COMMISSIONERS HAFERKAMP, GUNDELACH AND DAVIGNON WITH THEIR RESPECTIVE DIRECTORS GENERAL WOULD REVIEW SITUATION JULY 20 AND THIS WOULD PROVIDE OPPORTUNITY TO DETERMINE WHETHER RABOT WAS REALLY ON BOARD.

5. REGARDING NTB CODES, DENMAN THOUGHT STANDARDS TEXT COULD BE PUT FORWARD FOR NEGOTIATION FAIRLY PROMPTLY, THAT GOVERNMENT PROCUREMENT WOULD BE READY BY END OCTOBER AND THAT IT CRITICAL THAT COMMISSION PUSH WITH MEMBER STATES TO GET DRAFT VALUATION CODE TABLED. IN ADDITION, HE THOUGHT SOME AMENDMENTS TO KENNEDY ROUND ANTI-DUMPING CODE MIGHT FLOW FROM WORK ON SUBSIDY COUNTERVAIL PROBLEM.

6. REGARDING SUBSIDY COUNTERVAIL ISSUES, DENMAN SAID US WOULD NO LONGER PURSUE SO-CALLED RED LIGHT-AMBER LIGHT-GREEN LIGHT APPROACH BUT RATHER COMMISSION AND US WOULD FIND WAY TO RESOLVE PROBLEMS PIECEMEAL WITH THE CONCESSIONS MADE HIDDEN IN LARGE PACKAGE. IF I UNDERSTOOD HIM CORRECTLY, THERE WOULD BE NO SUBSIDY COUNTERVAIL CODE WHICH WOULD BE DIFFICULT TO SELL TO NINE, RATHER THE PARTS LIKE GUNDELACH'S LIMITS ON AGRICULTURAL SUBSIDIES, SOME RULES AMPLIFYING ARTICLE XVI ON INDUSTRIAL SUBSIDIES, AND US

ACCEPTANCE OF INJURY RULE FOR MOST COUNTERVAILING ACTIONS  
COULD BE SEPARATE PIECES OF FINAL DEAL.

7. DENMAN THOUGHT THERE MIGHT ALSO BE SOMETHING ON SAFE-  
GUARDS BUT HE SHOWED LITTLE ENTHUSIASM AND SAID THAT WHILE  
FRENCH AND BRITISH WANTED POSSIBILITY OF SELECTIVE APPLI-  
CATION OF ARTICLE XIX, GERMANS FOR PHILOSOPHIC REASONS  
WERE OPPOSED AND ITALIANS ALSO OPPOSED SINCE THEY WERE  
CONCERNED SELECTIVE SAFEGUARDS MIGHT BE APPLIED TO THEM.  
IF THIS WERE NOT ENOUGH, HE FEARED THAT LDC PRICE FOR  
SELECTIVITY ON SAFEGUARDS IN TERMS OF OVER-ALL GATT SUR-  
VEILLANCE WOULD BE TOO HIGH TO MAKE DEAL ATTRACTIVE.

8. DENMAN SAID MAJOR US-COMMISSION DIFFERENCE AT THIS  
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POINT WAS OVER TARIFF QUESTION. "REALISTICALLY" COMMISSION  
HAD CONCLUDED THAT OVER-ALL CUT IN 20-25 PERCENT RANGE WITH  
"NO EXCEPTIONS" WAS BEST WAY TO PROCEED. HE PERSONALLY  
THOUGHT A FINAL 20 PERCENT CUT ON AVERAGE TAKING INTO  
ACCON  
XCAOQNITVOALS FROM OFFERS TO ACHIEVE BALANCE AT END  
OF NEGOTIATION WAS REASONABLE OBJECTIVE. US CLEARLY WANTED  
MORE AND FOR LEGAL AND OTHER REASONS (HE MENTIONED  
TEXTILES) COULD NOT AGREE TO A NO EXCEPTION RULE. HE  
WONDERED ALOUD IF WAY OUT OF THIS IMPASSE MIGHT NOT BE TO  
FINESSE NEED FOR AGREEMENT ON TARIFF FORMULA, LEAVING EACH  
PARTY TO MAKE ITS OFFERS AND EXCEPTIONS ACCORDING TO ITS  
OWN ANALYSIS AND THEN NEGOTIATING TO FINAL BALANCE. HE  
SAID HE HAD TOLD PRIME MINISTER HEATH IN EARLY '70'S THAT  
NEXT MTN NEGOTIATION MIGHT SEE MAJOR REVERSION TO ITEM BY  
ITEM APPROACH BUT HE STILL HOPED MAJOR PARTICIPANTS  
WOULD FOLLOW LINEAR APPROACH IN CONSTRUCTING THEIR OFFERS.  
ON THIS POINT, I SAID TO HIM I THOUGHT HE WAS BEING SHORT-  
SIGHTED SINCE IT SEEMED TO ME PERSONALLY THAT NOT ONLY  
WOULD ITEM BY ITEM SEARCH FOR BALANCE BE INCREDIBLY COMPLI-  
CATED BUT THAT COMMUNITY UNDER IMPACT OF PROTECTIONIST  
PRESSURES FROM WITHIN WOULD MISS OPPORTUNITY TO BRING US  
TO MAKE MAXIMUM USE OF TARIFF NEGOTIATING AUTHORITY FROM  
CONGRESS FOR WHICH ADMINISTRATION HAD PAID HIGH PRICE.  
EVEN WORSE, I ASSERTED, WOULD BE IMPACT OF MINIMUM USE  
EXISTING AUTHORITY ON POSSIBILITIES FOR FUTURE US ADMIN-  
ISTRATIONS TO OBTAIN NEW NEGOTIATION AUTHORITY IN FUTURE.  
IT SEEMED TO ME THAT HIS "REALISTIC" APPROACH MIGHT MEAN,  
IF PURSUED, THAT WE HAD COME TO END OF POST-WORLD WAR II  
MOVEMENT FOR TARIFF REDUCTIONS. HE SAID HE SAW THE  
POINT BUT....

9. AS FOR FUTURE PROBLEMS, DENMAN SAID IT WOULD NOT BE  
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SIMPLE TO OBTAIN MULTILATERAL AGREEMENT TO IDEAS US AND COMMISSION WERE JOINTLY DEVELOPING. HE THOUGHT CANADIANS IN PARTICULAR WOULD BE DIFFICULT AND HE ALSO EXPRESSED CONCERN ABOUT JAPAN BUT NOTED WITH APPROVAL THAT STRAUSS AND WOLFF PLANNED WORK ON JAPANESE IN EARLY SEPTEMBER.

10. TO MAKE JANUARY 15 DEADLINE, DENMAN SAID PACE OF GENEVA NEGOTIATIONS WOULD HAVE TO BE MARKEDLY STEPPED UP AND NEW MECHANISMS FOUND FOR PROMOTING AGREEMENTS. ONE SUCH MECHANISM WOULD BE LUNCHEONS ORGANIZED JOINTLY BY US-EC REPS WITH OTHER KEY DELEGATIONS. THIS WAS ONLY WAY TO AVOID HOPELESS ARGUMENTS ABOUT WHO PARTICIPATED IN MEETINGS. IN ADDITION, A WYNDAM WHITE TYPE WAS NEEDED TO DRIVE ALL CONCERNED TO AGREEMENTS BY PROPOSING AT THE RIGHT TIME THE KINDS OF CONCESSIONS WHICH EACH PARTY SHOULD MAKE TO ACHIEVE SUCCESS. OLIVIER LONG JUST DID NOT HAVE THIS TALENT AND HE WONDERED IF PERHAPS JOLLES COULD BE PERSUADED TO UNDERTAKE SPECIAL ASSIGNMENT. WHAT WAS NEEDED, HE SAID, WAS A NEUTRAL FORCE TO PROD NEGOTIATORS INTO AGREEMENT. WE TALKED ABOUT HOW SUCH CONCEPT COULD BE SOLD TO LONG AND ALSO ABOUT WHETHER OTHER FORMULAE MIGHT BE FOUND IF JOLLES IDEA DID NOT FLY FOR ONE REASON OR ANOTHER.

11. INCIDENTALLY, DENMAN HAS TELEPHONED LONG AND FILLED HIM IN IN GENERAL ON TIDEWATER TALKS, NOT INCLUDING IDEA OF NEUTRAL PROD, BUT INCLUDING SOMETHING RE NEED FOR STEPPED-UP INFORMAL STEERING MECHANISM. OBVIOUSLY CULBERT SHOULD SEE LONG AS SOON AS POSSIBLE WITH OUR OBSERVATIONS ON SITUATION.

12. DENMAN SAID HE WAS IN TOUCH BY PHONE WITH MEMBER STATES ENDEAVORING TO PREPARE FAIRLY CRUCIAL 113 COMMITTEE MEETING TO BE HELD HERE JULY 22. AT THAT TIME COMMISSION WOULD FLOAT ITS LIMITED CUT-NO EXCEPTIONS IDEA WHICH AS OF NOW DOES NOT HAVE MEMBER STATE BLESSING.

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13. DENMAN EXPRESSED SOME CONCERN THAT WOLFF VISIT TO CERTAIN EC CAPITALS MIGHT COMPLICATE COMMISSION'S EFFORT TO OBTAIN MS BLESSING FOR JAN 15 DEADLINE. WE AGREED DANGER EXISTED AND THAT BEST WAY TO MINIMIZE RISKS WAS FOR WOLFF TO TALK IN GENERAL TERMS, AVOIDING DETAILS ABOUT STRAUSS-COMMISSION AND TIDEWATER TALKS.

14. FINALLY, DENMAN SAID HE DID NOT MEAN REMARK TO BE  
TAKEN IN CRITICAL SENSE BUT HE HOPED THAT NEXT TIME  
STRAUSS CAME TO BRUSSELS THERE WOULD BE MORE ADEQUATE STAFF  
LEVEL PREPARATION. HINTON UNQTE  
VANCE

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